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STATE FOR NEA/ELA AND EEB
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TREASURY FOR SETH BLEIWEIS

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TAGS: [ECON](#) [EFIN](#) [EINV](#) [JO](#)
SUBJECT: GROWING NUMBERS OF JORDANIANS INVEST IN STOCK MARKET
DESPITE RECENT VOLATILITY

REFS: A) AMMAN 78
B) 05 AMMAN 2776

¶1. (U) SUMMARY: Approximately 15 percent of Jordanians own shares in companies traded on the Amman Stock Exchange. The exchange saw rapid growth in 2003 to 2005, followed by a steep decline in 2006 and quick growth in 2007. 245 companies are listed on the exchange, which now has 65 brokerage firms. Over time, non-Jordanians have increasingly invested in the exchange and now hold 49 percent of shares, a figure officials would like to see grow. The exchange is working to launch online trading and to offer new financial products. Private equity investments are also growing in Jordan.
END SUMMARY.

¶2. (U) 245 companies are listed on the Amman Stock Exchange, including 18 companies added in 2007. One company alone, Arab Bank, accounts for about 40 percent of the exchange's market capitalization. The top 30 companies on the exchange, many of which are in the financial services sector, account for 83 percent of total market capitalization. There are 65 brokers in Jordan, up from 61 in 2006. Jalil Tarif, CEO of the Amman Stock Exchange (ASE), said that initial public offerings (IPOs) occur regularly and have been worth about USD 10 billion in the last four years across several sectors, including the recent Royal Jordanian Airlines IPO (ref A).

Stock Ownership through Boom and Bust Periods -----

¶3. (U) The number of investors in the ASE has grown quickly over the last five years. Talal Touqan, Head of Research and Financial Analysis at Ahli Investment Banking, said that there are 900,000 Jordanian stock accounts, but commented that individuals may have more than one account. Tarif said that the number of accounts has doubled in the last five years, and he estimates that 15 percent of the population participates in the stock market. Tarif also expected steady growth in the number of investors in the future.

¶4. (SBU) Several Post financial contacts consider stock ownership levels in Jordan to be moderate, and believe they fell after Jordan's stock market declined in 2006. Nashat Masri, the founder of a private equity investment firm, said that the ASE has experienced both boom and bust cycles over the past five years, with growth over 50 percent in 2003, 2004, and 2005, followed by a 33

percent fall in 2006 and 36 percent growth in 2007 (ref B). ASE's index value peaked at 8,192 in 2005. When its value fell in 2006, ASE's daily trading volumes declined by one-third and have remained below the peak-trading mark ever since. A January 2008 report by Capital Investments reported that the ASE index ended 2007 at 7,519, close to its highest level in 20 months but still below its 2005 peak.

15. (SBU) Many Jordanians entered the stock market during the height of the boom. Dr. Abderrazaq Bani Hani, Commissioner of the Jordan Securities Commission (JSC), estimated that 200,000 investors, nearly all Jordanian, entered the market in the 2004-2005 boom period. The bust in 2006 hurt the middle class most, because they entered late and then left during the bust. Kholoud Saqqaf, Acting Executive Manager of the Banking Supervision Department at the Central Bank of Jordan (CBJ), said she grew nervous about the ASE when Jordanian women began selling jewelry to buy stock. All of Post's contacts had similar stories about taxi drivers and shoeshine boys entering the stock market. Masri believes that many from the lower and middle classes have left the stock market. Sahel Annabi, founder of a financial advisory firm and of Jordan's first personal finance magazine, said that after the bust, Jordanians who sold stocks typically reinvested the money in real estate which is perceived locally as less risky.

16. (SBU) The ASE index has most recently hovered around at 7,750. Abeer Ziadeh, a research analyst at Capital Investments, said that in recent weeks the ASE has been volatile because of the U.S. sub-prime housing crisis. She said investors are nervous, and wondering if they should get out while they still can. Tarif countered that the corrections that have occurred on the ASE were normal and reasonable, especially since some companies had their valuations grow much faster than their businesses did.

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International Ownership of Jordanian Stocks

17. (U) Ownership of stocks traded on the ASE today is 51 percent Jordanian, 36 percent non-Jordanian Arab, and 13 percent from other countries, including three percent from American shareholders. In 2003, Jordanians owned 66 percent of shares. Both Bani Hani and Tarif considered the growing international interest in ASE as a testament to the quality of the companies listed on the ASE and the potential for the economy. Bani Hani said that in the fall, he and several other executives from 10 Jordanian companies participated in a road show in New York and London to promote investing in Jordan. Both Bani Hani and Tarif described the visit as a success and saw promising interest in investing in Jordan, particularly in Jordan's "blue-chip" stocks including Jordan Telecom, Arab Bank, and Jordan Phosphate. Bani Hani said that JSC is committed to ensuring that Jordan has "American standards" for securities disclosure and reporting.

Stock Exchange Improvements and Education

18. (U) In 2007, the ASE notched several achievements, including signing a cooperation agreement with the London Stock Exchange and being accepted into the World Federation of Exchanges. Three large initiatives are currently underway: online trading, adding additional financial tools, and building expansion. Tarif said that online trading, which is being implemented with USAID support, will be available at the first brokerage houses in a few months with additional brokerage houses added throughout the year. He believes that online trading will benefit small investors most by lowering the barriers to entry. Tarif also described a possible USAID project at ASE to develop new financial products, including exchange traded funds (ETF). NOTE: An ETF is a pool fund invested with a stated investment objective, for example, a tracker fund for the energy sector or an index fund that tracks an exchange's index. END NOTE. He said that ETFs should also benefit small investors. Other potential projects will consider derivative products for advanced investors. ASE, together with the JSC, is also constructing a new financial center scheduled to be completed in 2009.

¶9. (U) On February 14, Dow Jones Indexes, a unit of Dow Jones and Company, and the ASE launched the "Dow Jones ASE 100 Index." The new index tracks the performance of the 100 largest stocks listed on the ASE. A press release and local dailies reported that this product is expected to increase the transparency, visibility and accessibility of the ASE. Tarif is quoted in the press release that while the ASE has had its own index since 1980, this Dow Jones Index will enhance ASE's exposure to foreign investors.

¶10. (U) Bani Hani noted that the JSC is focused on investor education and on creating a culture of investment. Ziadeh explained that when people entered the stock market for the first time in 2004 and 2005, they were not well-informed. Investors were looking for quick money. Ziadeh speculated that current investors are more interested in long-term investments. Bani Hani said that JSC sponsors programs for high school students, college students, faculty, and JSC employees to improve financial acumen. Tarif said that ASE also hosts events to increase the public's general understanding, including open houses at the investors' gallery.

¶11. (U) In other efforts to further develop knowledge about the markets, the Department of Treasury's (DOT) Office of Technical Assistance (OTA) will provide training February 20-21 to the JSC on anti-money laundering compliance within the securities sector in light of Jordan's Anti Money Laundering Law passed in July 2007. Approximately 30 JSC employees of all levels are expected to attend, as is the director of Jordan's newly-established Financial Intelligence Unit (FIU). This training complements DOT AML efforts already underway in Jordan's financial sector. Following this training, DOT-OTA will assist the JSC in developing train-the-trainer programs for use by the companies in the securities industry.

Private Equity and Real Estate Development

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¶12. (SBU) Masri also described the significant flow of capital into Jordan. His firm manages the \$50 million Jordan Fund, and is also launching a second private equity fund, which will also be Jordan-centric. \$20 million of the Jordan Fund came from the GoJ's Jordan Telecom sale. While investment in Jordan - particularly from the Gulf - has grown, Masri said that in 2000 when the fund was founded, there was very little capital in Jordan and the fund needed government assistance to launch. An Oxford Business Group report estimated that \$307 million in private equity was invested in Jordan between 1998 and 2006.

¶13. (SBU) During a February 10-12 visit to Jordan, Overseas Private Investment Corporation (OPIC) President and CEO Robert Mosbacher described some of OPIC's investments in Jordan through five private equity funds established in 2007 - four cross-sectoral funds and one housing fund. NOTE: OPIC typically contributes about one-third of the fund's total capital in the form of senior secured debt as a way to address the lack of sufficient equity in emerging markets. Private fund managers raise the remainder of the funds' equity capital to be directly invested in private companies. END NOTE. Mosbacher noted that fundraising for the five Jordan investment funds has been slower than hoped, primarily due to a lack of experienced and known fund managers, as well as a lack of experience with private equity funds. Mosbacher told his Jordanian interlocutors he believes that these obstacles will be overcome as private equity fund managers gain a reputation and track record in Jordan.

¶14. (SBU) Tarif expressed regret that none of the largest real estate development projects in Aqaba or Amman are publicly traded companies. He would like to see these developers using IPOs as a way to raise investment funds and to allow all Jordanian to take part in economic growth. Tarif said that stock ownership is often the easiest way for small investors to participate and regretted their exclusion.

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